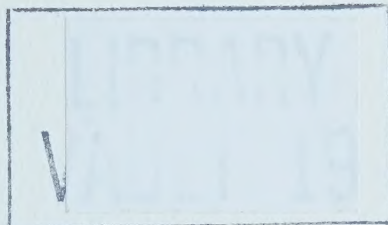


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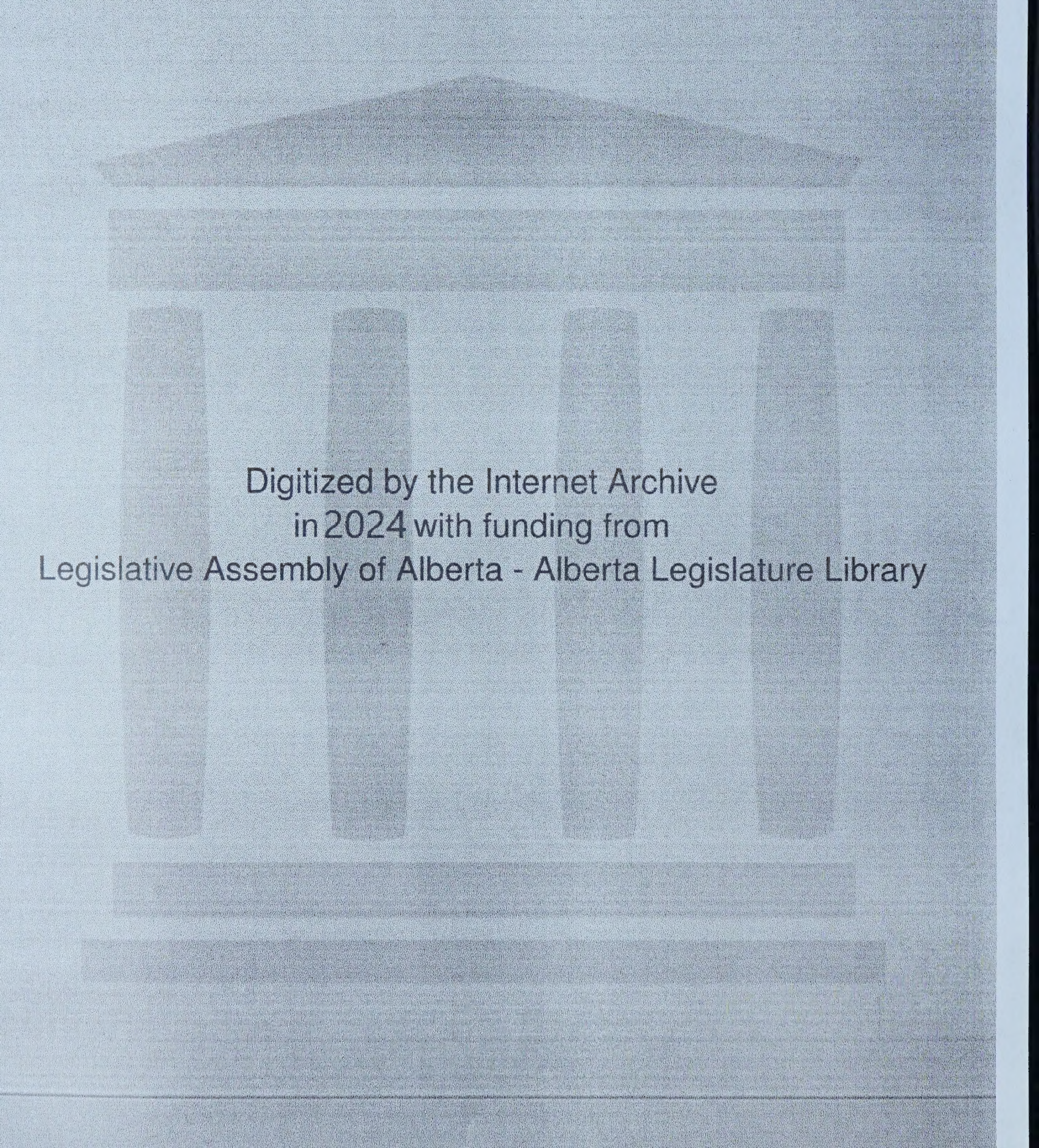


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60th ANNUAL REPORT

1971



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His Honor,
J. W. Grant MacEwan,
Lieutenant Governor of the Province of Alberta,
EDMONTON, Alberta.

Sir:

I have the honor to present the 60th Annual Report of the
Alberta Government Telephones Commission for the year ended
December 31, 1971.

I have the honor to be, Sir,

Your obedient servant,

Minister of Telephones


60th
ANNUAL
REPORT

1971



HIGHLIGHTS

	<u>1971</u>	<u>1970</u>
Plant Investment	\$615,997,445	\$547,102,502
Construction Expenditures	\$ 92,400,000	\$ 88,200,000
System Telephones	555,691	508,244
Long Distance Messages	48,677,322	43,536,765
Total Revenues	\$122,080,082	\$109,906,693
Net Income	\$ 2,857,485	\$ 5,742,717
Rate of Return	6.1%	6.6%



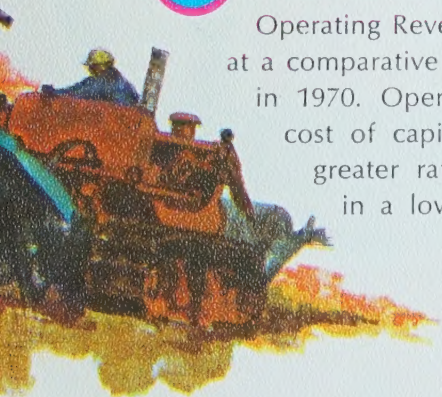
In 1971, Alberta experienced rapid economic expansion, particularly during the latter part of the year.

An increasing confidence in the economy and the greater availability of money led to a period of accelerating development. Manufacturers' shipments for 1971 amounted to \$1,992 million, an increase of 4% over 1970. The construction industry reached \$1,726 million, an increase of 2%. Mineral production rose to \$1,652 million, an increase of 19%, and farm cash receipts reached \$787 million, an increase of 11%.

In this period of expansion, AGT was obliged to make large capital expenditures to keep pace with steadily increasing requirements for communications services.



FINANCIAL REVIEW



Operating Revenues continued to grow at a comparative rate to that experienced in 1970. Operating Expenses and the cost of capital, however, showed a greater rate of increase, resulting in a lower Net Income for the year.

Operating Revenues for 1971 amounted to \$122,080,082, an increase of 11.1% over 1970.

Operating Expenses in 1971 amounted to \$95,978,609, an increase of 13.2% over 1970.

Net Operating Revenue amounted to \$26,101,473, a 6.1% return on the calculated rate base.

Net Debt Service Charges amounted to \$22,960,953, an increase of 20.1% over 1970.

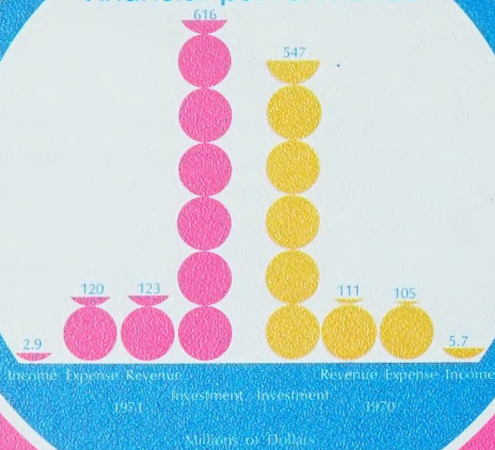
Net Income from telephone operations amounted to \$3,140,520, and after deducting operating costs of \$283,035 for Radio Station CKUA, this leaves a Net Income of \$2,857,485.

During the fiscal year, a total of \$75 million was realized through the sale of debentures. Of this amount, \$52 million was used for the 1971 Construction Program, the modernization of facilities, retirement of debt obligations due, and sinking fund requirements. The balance will be applied to the 1972 Construction Program.

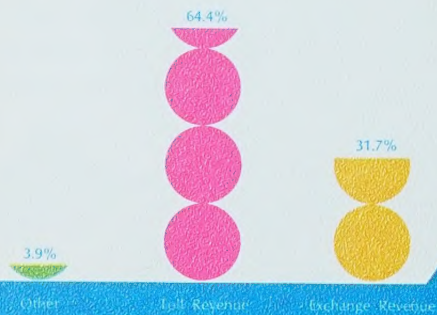
<u>Maturity</u>	<u>Rate of Interest</u>	<u>Currency</u>	<u>Amount</u>
March 1, 1991	6¾ %	Canadian	\$25,000,000
September 1, 1996	7⅞ %	U.S.	25,000,000
December 15, 1991	7½ %	Canadian	25,000,000

Demands for expansion of the system's communications facilities and for new and improved services are continuing. To meet these demands, the Commission's 1972 Construction Program will be in excess of \$80 million, necessitating further substantial capital borrowing. In the face of high debt service charges and the continuing increase in the costs of labor and materials, it appears evident that existing revenues will not indefinitely be sufficient to support the system's operations.

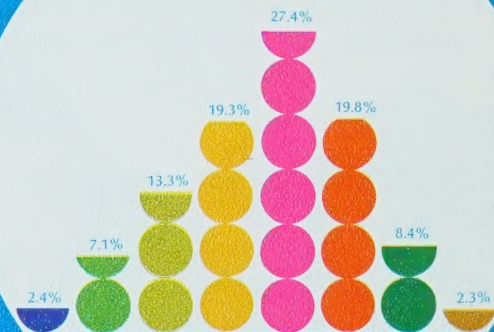
financial performance



operating revenue



operating expenses



- Pension Fund Contribution
- Commercial and Marketing
- General
- Debt Service Charges, Net
- Depreciation
- Maintenance
- Traffic
- Property Taxes



MEDIATION COMMITTEE REPORT

On December 1, 1971, a three-man Telephone Mediation Committee submitted results of a comprehensive study of the overall relationships between Alberta Government Telephones and Edmonton telephones with particular regard to boundaries designating areas of service, impasses in contractual matters, and financial matters incidental to the operation of the two systems.

A second committee, comprised of three Provincial Cabinet members and three City Council members is now studying the recommendations and attempting to arrive at an agreement between the two parties.



COMPUTERS

AGT has installed a new IBM System 370 Model 165 computer — one of the most modern on the continent — to accommodate current and rapidly expanding computing requirements.

The new computer, replacing an IBM System 360 Model 65, has increased internal processing speeds and a greater core storage capacity. In addition to other functions, it presently processes the following monthly workload:

- 4,000,000 long distance calls
- 500,000 composite bills

- 400,000 customer payments
- 44,000 universal service orders
- 30,000 adjustment vouchers
- 14,000 paycheques
- 2,000 program tests.

The Canadian Service Agreement Companies-BIS (CANSAC-BIS) — of which AGT is a member — have formed a consortium to develop the most efficient use and common design of computer programs and services for telephone companies. The prime targets are reduction of costs and common systems design.



RURAL DEVELOPMENT

To date, \$64 million has been invested in a buried cable program which will ultimately bring four-party telephone service to virtually all of the rural subscribers in the province. Approximately 52,000 miles of cable and wire have been buried, and facilities have been installed to provide more than 59,000 applicants with service.

In 1971, some 9,100 miles of buried cable and wire brought service to 40 new areas, and 586 miles of cable extensions brought additional service to another 147 areas. During the year four party service was extended to an additional 10,000 subscribers.

LONG DISTANCE

In 1971, 47,912,995 long distance toll messages were completed, representing an increase of 11.6% over the previous year.

Long Distance Messages	Percent of Total	Percent Increase Over 1970
Operator handled 20,765,309	43.3%	6.8%
Customer DDD 27,147,686	56.7	15.7
Total 47,912,995	100.0	11.6

In addition, 764,327 TWX teletypewriter messages were completed over the long distance network, an increase of 23.1% over the previous year.

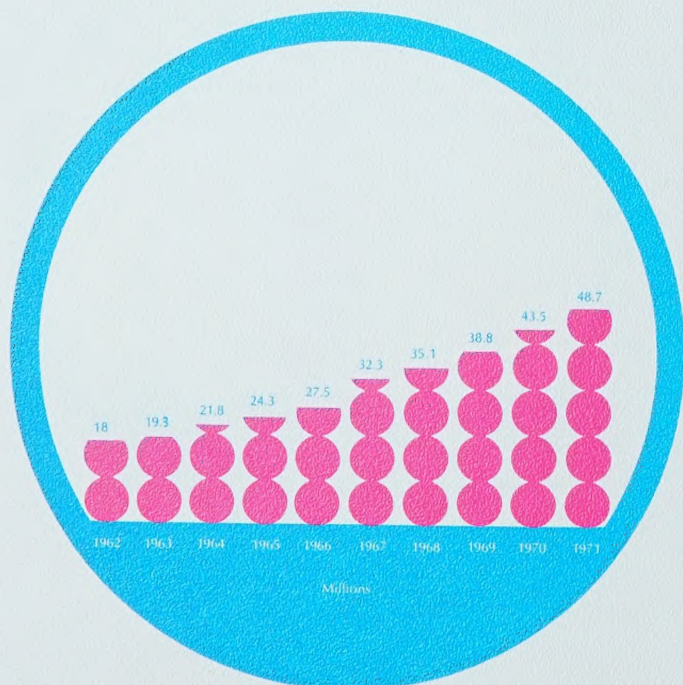
The long distance network was increased by 367 circuits, 132 of which were added to the Trans-Canada Telephone System.

A 12-tube co-axial cable was placed in service between Calgary and Aldersyde. It has a theoretical capacity for 16,200 simultaneous voice conversations

or 12 simultaneous TV programs. The cable will form part of the metropolitan junctions which will eventually ring all of Alberta's major cities. Metropolitan junctions provide microwave bypasses around the urban centres — where tall buildings interfere with transmission — and they provide connection between the microwave networks and the cities by means of co-axial cable.

Installation of \$16 million in long distance switching equipment was completed in AGT's new Edmonton Toll Building Tower. Testing is now in progress, and the new facilities are scheduled to go into service on March 31, 1972.

number of long distance messages





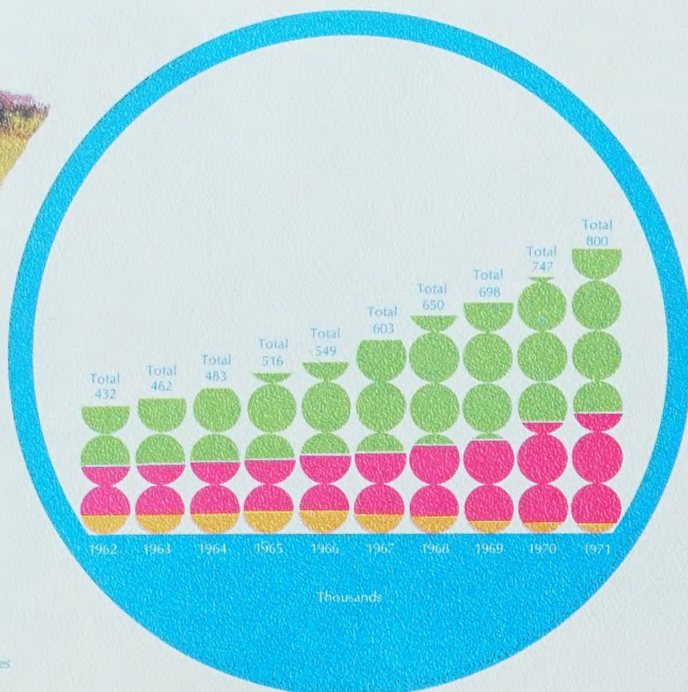
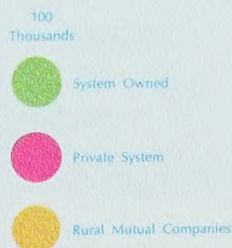
LOCAL SERVICE

In 1971, a number of projects were completed to provide improved local telephone service throughout the province.

New No. 5 Crossbar exchanges were put into service in Edmonton's West Jasper Place district in March, and in Calgary's Bonavista district in June, 1971. An SF-1 exchange was put into service in Grande Cache in May, replacing an older type of switching equipment. Other new exchanges cut over during the year included Blue Ridge, Brocket, Ferintosh, Jenner, Longview, Morley, Schuler, Sunchild-O'Chiese and Wandering River.

Major dial additions were made in Calgary's Killarney and Forest Lawn exchanges, in Edmonton's Jasper Place exchange, and in the Lethbridge, Leduc and Ellerslie exchanges. Dial additions at a total of 26 locations resulted in approximately 24,000 new lines being placed in service.

distribution of telephones
in alberta as at december 31, 1971



TOTAL COMMUNICATIONS

AGT's areas of service have become as broad as the boundaries of the province, and its offerings are as diversified as the individual people who live therein.

Communications are making possible development of the northern frontiers with microwave, mobile radio, and other services. Businessmen throughout the province depend upon switchboards and key systems, data services, TWX, teletype, telemetering and supervisory facilities, and many more. Hospitals utilize TWX lab reporting and electrocardiogram transmission over telephone circuits. Defence facilities protect the province, and Emergency Reporting Systems protect the home. Families enjoy TV programs through an AGT tape delay center, and portable microwave makes possible the pick-up of live news and sporting events.

AGT is taking a lead in making cable TV available. The first step toward realization of this concept took place when one entertainment channel and one educational channel were made available to Calgary and Edmonton cable TV operators on September 1, 1971.

Demands for data services are increasing at an accelerating rate. To meet these demands, AGT introduced high speed Multicom service in 1970, and added medium speed Multi-com in 1971. This service permits customers to transmit data at speeds above those provided by the DDD network.

Datacom 300 terminals were introduced, during the year, to permit customers to transmit and receive data at 100, 150, and 300 words per

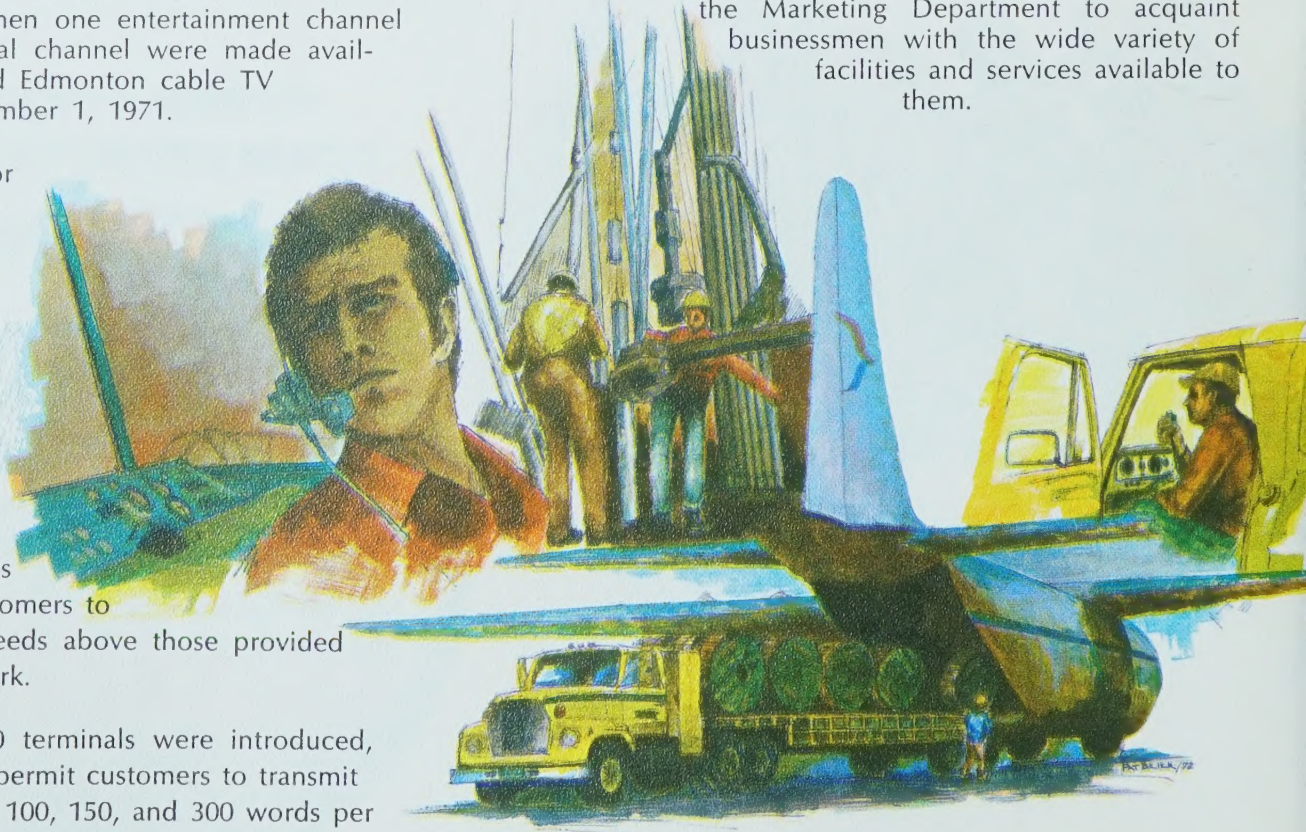
minute. These terminals can be used for shared computer data input and retrieval, or for point to point data transmission.

AGT now has over 600 TWX teletypewriters in the province. A new market has been discovered in the medical field, and machines have been installed in most of the rural hospitals to receive instantaneous laboratory reports from the larger urban centers.

AGT has one of the most extensive and complete general mobile radio networks in Canada. During the past year, 9 base stations were added to the network, bringing the total to 76. There are now some 2,600 general mobiles in service in the province.

AGT private mobile systems serve everything from vast forestry networks to small taxi companies. Solid state transistorized radios were introduced in 1971 to replace older type mobiles.

Communications seminars were introduced by the Marketing Department to acquaint businessmen with the wide variety of facilities and services available to them.





PERSONNEL

On September 10, 1971, Hon. L. Werry was appointed Minister of Telephones and Utilities. Mr. Werry brings with him a broad background of governmental and business experience, combined with progressive ideas in the field of communications.

The Commission's most important resource continues to be its employees. At the end of 1971, there were 7,248 employees, including 3,833 men and 3,415 women.

The Centralized Employment Offices are providing a valuable service. In 1971, in excess of 17,000 applicants requested work with AGT, and from these, 984 were selected. The employee resignation rate for 1971 averaged 1.0% per month, compared to 1.5% per month in 1970. These figures, although tempered by current economic conditions, definitely substantiate the Employment Offices' philosophy of recommending the right person for the right job.

The year 1971 saw completion of the Computer Orientated Payroll and Personnel System (COPPS), to assist in payroll and statistical operations. This system has the ability to store, retrieve and display statistics — concerning individual employees, organizational units, and the total work force — for the most effective use of manpower resources.

The Management Training and Development group provided a variety of courses to a total of 996 conferees during the year. Since the inception of Management Training and Development, this brings the total conferees to 3,863. In the coming year, the training group

will conduct all live-in courses at Olds College to utilize the excellent classroom facilities and to effect economies in the courses.

The Accident Prevention Training Program, commenced in 1966 with a basic Defensive Driving Course, has expanded to eight safety courses. Since then, 160 employees have each driven over 100,000 miles without incurring a single preventable accident. Employees having taken the company's First Aid Course have won the Provincial Industrial Championships for both men and women, and have received two St. John Ambulance Life-saving Awards, during the past year, for the saving of lives through the application of their training.



The International Brotherhood of Electrical Workers, Local Union 348, was certified on July 14, 1971, by the Alberta Board of Industrial Relations, as bargaining agent for AGT employees in Operations Plant, General Services, General Construction, Traffic, and Radio Station CKUA.

Negotiations of a first collective agreement for CKUA commenced with IBEW representatives on December 16, 1971. The Operations Plant, General Services, General Construction, and Traffic agreements will be subject to renewal on April 30, 1972.

Negotiations with the Clerical Employees have resulted in an agreement covering the period from May 1, 1971, to April 30, 1973.

PENSIONS AND BENEFITS

As at December 31, 1971, there were 6,325 employees participating in the Pension Plan, 3,688 males and 2,637 females, an increase of 171 during the year. Pensions were being paid to 276 pensioners at an average of \$267.51 per month.

The par value of securities held in the Pension Fund Investment Portfolio on December 31, 1971, was

\$50,439,232, an increase of \$7,990,075 over the previous year. In addition, there was a cash balance of \$220,450 available for investment; \$504,308 accounts receivable, representing Commission and Employee contributions; and a further \$703,014 accrued interest and dividends receivable.

During 1971, some progressive changes were made in the areas of Pension and Group Life Insurance protection. The AGT Pension Plan not only provides scheduled and voluntary retirement benefits, but also increased the disability benefits.

A small increase in employee contributions provides the necessary funds for a lump sum payment to the beneficiary upon death of a participating employee, in lieu of the one dollar assessment previously paid by each participating employee.

During the year, major improvements were made to the Group Life Insurance Plan including increased coverage of two items: annual salary and the benefit of retaining a portion of the insurance after retirement. Employees are now eligible for participation in the plan after six months service.

With the rising costs of medical and hospital services, increased participation and interest has been shown in these areas. Continuing studies and communication with various agencies are being maintained concerning current trends.



FUTURE DEVELOPMENT

AGT's Capital Expenditure Program for 1972 is estimated at \$84,500,000. For the first time in a number of years, a new record expenditure is not anticipated.

Alberta's first electronic switching equipment will be placed in operation in 1972. An electronic office will be put into service in Calgary-Oakridge in June, and a second electronic office will replace older equipment in Calgary-Bowness in August. Electronic installations will also be in progress, during the year, in the Forest Lawn and Killarney exchanges.

In Lethbridge, a major building extension will be completed in 1972, and installation of electronic switching equipment commenced. In Sherwood Park, work will be approaching completion on electronic switching equipment to replace an older type of facilities in March, 1973. In Grande Prairie, an addition is being made to the common control switching equipment during 1972.

Field trials are contemplated, possibly in 1972, to assess public requirements for special electronic switching services, such as call waiting, call forwarding, speed calling, and conference calling.

Long distance switching equipment in AGT's new Edmonton Toll Building Tower is scheduled



for service in March, 1972. The largest single installation of its type in Canada, to date, it will serve some 77 telephone exchanges in the surrounding region. A new Toll Building Tower will be commenced in Calgary in 1972.

In Medicine Hat, work will commence toward providing Direct Distance Dialing to that center in 1973.

A buried co-axial cable system will be put into service between Cheadle and Calgary in April, 1972, and another co-axial cable system will be put into service between Kavanaugh and Edmonton in April, 1973.

Replacement of overhead open wire by buried facilities will be continued. By 1980, it is estimated that all open wire long distance lines throughout the province will have been replaced by buried facilities.

In 1972, an additional amount of \$10,800,000 will be invested in the 10-year Rural Buried Cable Program. The plowing of cable will be completed in 1973, and all facilities will be in service in June, 1974.

Pulse Code Modulation (PCM) will be introduced in certain areas of the province to facilitate data trans-

mission. It affords marked freedom from noise and interference, and permits repeating a signal again and again without significant distortion.

Experimental "walk-in" data service bureaus are being planned. The first would be in Calgary. Edmonton might be added at a later date. The facilities would test customer requirements for transmission of low speed data, and possibly facsimile and picture-phone service.

Looking to the space age, Telesat Canada — in which AGT has a substantial investment — is scheduled to launch Canada's first communications satellite in November, 1972.

Transmitting to 34 special ground stations, the satellite will have a theoretical capacity for 11,500 simultaneous one-way voice circuits or the equivalent.

In the early stages, the satellite's primary importance will be in the transmission of TV, particularly to the country's far flung northern regions. Later, as the need arises, it will also become increasingly important as a carrier of data and voice communications.

financial statements

statement of income for the year ended december 31, 1971 (with comparative figures for 1970)

	1971	1970
Operating revenues:		
Toll	\$ 78,673,711	\$ 70,640,473
Exchange	38,675,050	35,244,159
Other (Note 5)	5,469,875	5,093,383
	<u>\$122,818,636</u>	<u>\$110,978,015</u>
Less:		
Provision for uncollectible operating revenues	738,554	1,071,322
	<u>\$122,080,082</u>	<u>\$109,906,693</u>
Operating expenses:		
Maintenance	\$ 23,542,573	\$ 20,911,445
Depreciation	32,625,765	28,943,236
Traffic	9,933,424	8,839,052
Commercial and Marketing	8,422,603	7,331,189
General and Administration	15,802,598	14,060,526
Pension fund and Canada Pension Plan Contributions	2,898,716	2,494,410
Property and business taxes	2,752,930	2,230,174
	<u>\$ 95,978,609</u>	<u>\$ 84,810,032</u>
Operating income before debt service charges	\$ 26,101,473	\$ 25,096,661
Debt service charges, net (Note 6)	22,960,953	19,111,197
Net income from telephone operations	<u>\$ 3,140,520</u>	<u>\$ 5,985,464</u>
Other charges:		
Net operating costs of Radio Station CKUA	283,035	242,747
Net profit for the year ended December 31	<u>\$ 2,857,485</u>	<u>\$ 5,742,717</u>

balance sheet

as at december 31, 1971

(with comparative figures as at December 31, 1970)

ASSETS

	<u>1971</u>	<u>1970</u>
Telephone property:		
Land, buildings and equipment, at cost	\$571,026,600	\$500,860,925
Less: Accumulated depreciation	<u>131,115,627</u>	<u>117,092,108</u>
	\$439,910,973	\$383,768,817
Plant under construction, at cost	44,970,845	46,241,577
Materials and supplies, at cost	<u>8,316,825</u>	<u>9,208,487</u>
	<u>\$493,198,643</u>	<u>\$439,218,881</u>
Investments, at cost:		
Telesat Canada common shares	<u>\$ 2,332,500</u>	<u>\$ 933,000</u>
Current:		
Cash on hand and in banks	\$ 484,529	\$ 4,024,277
Short term deposits, including accrued interest	22,823,422	10,055,445
Accounts receivable, less allowance for doubtful accounts	15,156,887	14,371,720
Prepaid expenses	<u>1,520,205</u>	<u>1,239,861</u>
	<u>\$ 39,985,043</u>	<u>\$ 29,691,303</u>
Deferred charges:		
Unamortized debenture discount	\$ 5,190,373	\$ 4,366,933
Other (Note 1)	<u>621,280</u>	<u>1,154,300</u>
	<u>\$ 5,811,653</u>	<u>\$ 5,521,233</u>
Trust funds:		
Pension and death benefit fund	\$ 51,867,004	\$ 43,803,404
Government of Canada bonds	1,359,321	1,224,971
Employee group life insurance	<u>133,275</u>	<u>201,247</u>
	<u>\$ 53,359,600</u>	<u>\$ 45,229,622</u>
	<u>\$594,687,439</u>	<u>\$520,594,039</u>

The accompanying notes are part of these financial statements.

alberta government telephones commission

government
of the province
of alberta

LIABILITIES

	<u>1971</u>	<u>1970</u>
Long term debt:		
Debentures payable (Note 2)	\$455,867,000	\$382,685,000
Deduct: Sinking fund assets (Note 3)	<u>30,078,293</u>	<u>24,552,621</u>
	\$425,788,707	\$358,132,379
Advances from Provincial Treasurer (Note 3)	<u>30,572,106</u>	<u>33,717,407</u>
	<u>\$456,360,813</u>	<u>\$391,849,786</u>
Unamortized exchange, net, on United States funds (Note 4)	<u>\$ 13,641,740</u>	<u>\$ 13,275,291</u>
Current:		
Matured debentures and coupons	\$ 515,676	\$ 596,849
Less: Cash provided for redemption	<u>515,676</u>	<u>596,849</u>
Accounts payable	\$ 7,247,925	\$ 8,035,492
Wages payable	3,761,033	3,981,520
Accrued interest	8,668,474	7,507,851
Unearned revenue	<u>2,415,305</u>	<u>2,169,452</u>
	<u>\$ 22,092,737</u>	<u>\$ 21,694,315</u>
Surplus, retained for investment in plant, debt redemption and working capital	<u>\$ 49,232,549</u>	<u>\$ 48,545,025</u>
Trust:		
Pension and death benefit fund	\$ 51,867,004	\$ 43,803,404
Employees' accounts	336,839	386,097
Bond installments payable	<u>1,155,757</u>	<u>1,040,121</u>
	<u>\$ 53,359,600</u>	<u>\$ 45,229,622</u>
	<u>\$594,687,439</u>	<u>\$520,594,039</u>

This is the Balance Sheet referred to in my report of March 8, 1972,
addressed to the Alberta Government Telephones Commission.

C. K. Huckvale

C. K. HUCKVALE, F.C.A.
Provincial Auditor

statement of surplus

for the year ended december 31, 1971
(with comparative figures for 1970)

	<u>1971</u>	<u>1970</u>
Surplus as at January 1	\$ 48,545,025	\$ 44,010,372
Add:		
Net profit for the year ended December 31	2,857,485	5,742,717
Adjustments applicable to acquired assets, net	<u>2,687</u>	<u>1,046</u>
	<u>\$ 51,405,197</u>	<u>\$ 49,754,135</u>
Deduct:		
Payment to Provincial Treasurer, Alberta		
Government Telephones Act, Section 21 (1)	\$ 1,500,000	\$ 1,000,000
Cost of integration of mutual telephone companies	232,812	209,110
Adjustments applicable to prior years' operations	<u>439,836</u>	<u>—</u>
	<u>\$ 2,172,648</u>	<u>\$ 1,209,110</u>
Surplus as at December 31	<u>\$ 49,232,549</u>	<u>\$ 48,545,025</u>

statement
of net long
term debt

as at december 31, 1971

Date of Issue	Maturity Date	Interest Rate	Currency	(A) Original Issue or Advance	Amount Outstanding	Deduct: Sinking Fund Assets	Net Long Term Debt
(A) Debentures payable:							
December 3, 1970	December 3, 1973	7¾ %	Canadian	\$ 20,000,000	\$ 20,000,000	\$ —	\$ 20,000,000
September 15, 1969	September 15, 1974	8	Canadian	15,000,000	15,000,000	635,396	14,364,604
May 2, 1966	May 2, 1976	5½	Canadian	8,000,000	8,000,000	—	8,000,000
July 2, 1958	July 2, 1978	4¼	Canadian	18,000,000	18,000,000	8,973,533	9,026,467
September 1, 1959	September 1, 1979	4¾	United States	10,000,000	5,416,000	—	5,416,000
August 1, 1961	August 1, 1981	5¼	Canadian	12,000,000	12,000,000	3,590,585	8,409,415
March 1, 1960	March 1, 1985	5¾	United States	22,000,000	15,156,000	—	15,156,000
April 15, 1965	April 15, 1985	5¼	Canadian	10,000,000	10,000,000	1,507,146	8,492,854
January 15, 1963	January 15, 1988	4¾	United States	20,000,000	16,295,000	—	16,295,000
October 15, 1964	October 15, 1989	4¾	United States	25,000,000	25,000,000	4,728,007	20,271,993
March 1, 1970	March 1, 1990	9	Canadian	15,000,000	15,000,000	—	15,000,000
August 15, 1965	August 15, 1990	4¾	United States	25,000,000	25,000,000	3,960,692	21,039,308
September 1, 1970	September 1, 1990	8¼	Canadian	20,000,000	20,000,000	—	20,000,000
March 1, 1971	March 1, 1991	6¾	Canadian	25,000,000	25,000,000	—	25,000,000
August 15, 1966	August 15, 1991	6	Canadian	25,000,000	25,000,000	2,967,992	22,032,008
December 15, 1966	December 15, 1991	6	United States	11,000,000	11,000,000	1,369,473	9,630,527
December 15, 1971	December 15, 1991	7½	Canadian	25,000,000	25,000,000	—	25,000,000
April 15, 1967	April 15, 1992	6	Canadian	25,000,000	25,000,000	2,345,469	22,654,531
October 1, 1967	October 1, 1992	6¼	United States	35,000,000	35,000,000	—	35,000,000
August 1, 1968	August 1, 1993	7¾	United States	30,000,000	30,000,000	—	30,000,000
June 15, 1969	June 15, 1994	8	United States	30,000,000	30,000,000	—	30,000,000
January 15, 1970	January 15, 1995	9½	United States	20,000,000	20,000,000	—	20,000,000
September 1, 1971	September 1, 1996	7¾	United States	25,000,000	25,000,000	—	25,000,000
				<u>\$471,000,000</u>	<u>\$455,867,000</u>	<u>\$ 30,078,293</u>	<u>\$425,788,707</u>
(B) Advances from the Provincial Treasurer:							
December 1, 1950	December 1, 1975	3 %	Canadian	\$ 2,000,000	\$ 427,772		\$ 427,772
December 1, 1951	December 1, 1976	3	Canadian	5,000,000	1,317,468		1,317,468
October 1, 1952	December 1, 1977	3	Canadian	7,000,000	2,181,522		2,181,522
November 1, 1953	December 1, 1978	3½	Canadian	8,000,000	2,974,427		2,974,427
November 1, 1954	December 1, 1979	3½	Canadian	8,000,000	3,343,391		3,343,391
June 1, 1950	June 1, 1980	3	Canadian	16,560,142	6,268,944		6,268,944
January 1, 1956	December 1, 1980	3½	Canadian	7,000,000	3,237,300		3,237,300
January 1, 1957	December 1, 1981	3½	Canadian	10,000,000	5,055,001		5,055,001
November 1, 1957	December 1, 1982	4½	Canadian	10,000,000	5,766,281		5,766,281
				<u>\$ 73,560,142</u>	<u>\$ 30,572,106</u>		<u>\$ 30,572,106</u>
				<u>\$544,560,142</u>	<u>\$486,439,106</u>	<u>\$ 30,078,293</u>	<u>\$456,360,813</u>

(A) See Notes 2 and 3 to the Financial Statements

(B) See Note 3 to the Financial Statements

statement
of source and
application
of funds

for the year ended december 31, 1971

(with comparative figures for 1970)

	<u>1971</u>	<u>1970</u>
Source of Funds:		
Operations:		
Net profit	\$ 2,857,485	\$ 5,742,717
Depreciation and other expenses not requiring an outlay of funds	34,162,782	30,317,389
	<u>\$ 37,020,267</u>	<u>\$ 36,060,106</u>
Proceeds from debenture issues	75,382,812	81,585,938
	<u>\$112,403,079</u>	<u>\$117,646,044</u>
Application of Funds:		
Additions to telephone property	\$ 87,103,814	\$ 87,648,997
Retirement of long term debt	10,488,973	16,866,594
Payment to Provincial Treasurer	1,500,000	1,000,000
Increase in deferred charges	1,342,826	1,059,676
Investment in Telesat Canada	1,399,500	933,000
Adjustments applicable to prior years' operations	439,836	—
Integration of mutual telephone companies	232,812	209,110
	<u>\$102,507,761</u>	<u>\$107,717,377</u>
Increase in Working Capital	<u>\$ 9,895,318</u>	<u>\$ 9,928,667</u>

**pension
and death
benefit fund**

balance sheet as at december 31, 1971

(with comparative figures as at December 31, 1970)

ASSETS

	<u>1971</u>	<u>1970</u>
Current:		
Cash on hand and in bank	\$ 220,450	\$ 366,116
Short term deposits	1,600,000	1,200,000
Contributions receivable	504,308	423,790
Dividends receivable	—	7,034
Interest receivable	4,375	—
Accrued interest	698,639	557,307
	<u>\$ 3,027,772</u>	<u>\$ 2,554,247</u>
Investments:		
Bonds and debentures, at par value (Note 8.)	\$ 40,100,800	\$ 35,682,100
National Housing Act mortgages	5,638,141	1,494,458
Shares, at cost (Note 9.)	3,100,291	4,072,599
	<u>\$ 48,839,232</u>	<u>\$ 41,249,157</u>
	<u>\$ 51,867,004</u>	<u>\$ 43,803,404</u>

LIABILITIES

Current:		
Accounts payable	<u>\$ 31,236</u>	<u>\$ 26,121</u>
Pension and Death Benefit Fund Reserve:		
Employees' accounts	\$ 15,195,947	\$ 12,907,770
Employer's account	36,639,821	30,869,513
	<u>\$ 51,835,768</u>	<u>\$ 43,777,283</u>
	<u>\$ 51,867,004</u>	<u>\$ 43,803,404</u>

This is the Balance Sheet referred to in my report of March 8, 1972,
addressed to the Alberta Government Telephones Commission.

C. K. Huckvale

C. K. HUCKVALE, F.C.A.
Provincial Auditor

statement of operations

for the year ended december 31, 1971

(with comparative figures for 1970)

	<u>Employees'</u> <u>Accounts</u>	<u>Employer's</u> <u>Account</u>	<u>1971</u> <u>Total</u>	<u>1970</u> <u>Total</u>
Pension and Death Benefit Fund Reserve as at January 1	\$12,907,770	\$30,869,513	\$43,777,283	\$38,028,186
Add:				
Contributions	2,385,042	3,594,862	5,979,904	5,053,346
Earnings (Note 10)	524,941	2,941,209	3,466,150	1,919,052
Contributions and earnings transferred from other pension authorities, net	3,813	3,813	7,626	(848)
Transfers in respect of employees retiring on pension	(177,151)	177,151	—	—
	<u>\$15,644,415</u>	<u>\$37,586,548</u>	<u>\$53,230,963</u>	<u>\$44,999,736</u>
Deduct:				
Pension payments	\$ —	\$ 857,851	\$ 857,851	\$ 734,840
Withdrawals	448,468	—	448,468	413,686
Death benefit payments	—	24,000	24,000	—
Administration expenses	—	64,876	64,876	73,927
	<u>\$ 448,468</u>	<u>\$ 946,727</u>	<u>\$ 1,395,195</u>	<u>\$ 1,222,453</u>
Pension and Death Benefit Fund Reserve as at December 31	<u>\$15,195,947</u>	<u>\$36,639,821</u>	<u>\$51,835,768</u>	<u>\$43,777,283</u>

notes to the financial statements

	December 31, 1971	1971	1970
Note 1 Other deferred charges include:			
Expenses re inventory of outside plant		\$ 550,700	\$ 1,154,300
Commissions to leasing agent		70,580	—
		<u>\$ 621,280</u>	<u>\$ 1,154,300</u>

Note 2 Debentures payable are unconditionally guaranteed as to principal and interest by the Government of the Province of Alberta. Issues repayable in United States currency are recorded on the basis that a U.S. dollar is equivalent to a Canadian dollar.

Note 3 The estimated amounts required to repay the Provincial Treasurer's advances and to meet sinking fund and debenture redemption provisions during each of the next five years are as follows:

	<u>Provincial Treasurer's Advances</u>	<u>Sinking Fund</u>	<u>Debenture Redemption</u>	<u>Total</u>
1972	\$ 3,253,769	\$ 3,580,000	\$ 9,145,000	\$15,978,769
1973	3,366,051	4,280,000	22,055,000	29,701,051
1974	3,482,284	5,180,000	17,171,000	25,833,284
1975	3,602,609	6,280,000	2,279,000	12,161,609
1976	3,612,049	7,780,000	2,393,000	13,785,049
	<u>\$17,316,762</u>	<u>\$27,100,000</u>	<u>\$53,043,000</u>	<u>\$97,459,762</u>

Included in the debenture redemption provision for 1972 is \$8,000,000 for repayment of the May 2, 1966-1976 issue, which the Commission has been requested to repay. The Commission has the option of exercising early redemption provisions on all debenture issues maturing between July 2, 1978, and September 1, 1996. At the holders' option, the September 1, 1970-90 issue is redeemable on September 1, 1975, and the September 15, 1969-74 issue may be exchanged for series B debentures maturing September 15, 1989.

Note 4 Unamortized exchange, net, on United States funds represents exchange, net, received on conversion of the proceeds of debenture issues, deferred to offset anticipated exchange costs at maturity. The adequacy of this item cannot be determined as at this date.

	<u>1971</u>	<u>1970</u>
Note 5 Other operating revenues include:		
Rental revenue	\$ 2,565,576	\$ 2,411,517
Directory advertising and sales	2,684,136	2,511,194
Other	<u>220,163</u>	<u>170,672</u>
	<u>\$ 5,469,875</u>	<u>\$ 5,093,383</u>

	<u>1971</u>	<u>1970</u>
Note 6 Debt service charges, net, include:		
Interest and exchange on long term debt	\$28,123,474	\$23,641,983
Amortization of discount, net	429,076	310,694
Exchange on debt redemption	—	41,898
Other charges	<u>13,333</u>	<u>20,000</u>
	<u>\$28,565,883</u>	<u>\$24,014,575</u>
Less: Interest earnings, net	\$ 660,510	\$ 1,344,978
Sinking fund earnings	1,896,871	1,468,479
Interest capitalized during construction	2,881,038	1,861,921
Gains on redemptions	<u>166,511</u>	<u>228,000</u>
	<u>\$ 5,604,930</u>	<u>\$ 4,903,378</u>
	<u>\$22,960,953</u>	<u>\$19,111,197</u>

Note 7 The Alberta Government Telephones Commission has the following estimated commitments which are not reflected in the Balance Sheet as at December 31, 1971:

In respect of equipment for future delivery	\$ 9,754,285
In respect of uncompleted contracts	17,196,176
In respect of purchase of common shares in Telesat Canada	466,500

	<u>December 31</u>	<u>1970</u>
Note 8 Bonds and debentures, at par value, consist of:		
Government of Canada, direct and guaranteed	\$ 1,873,000	\$ 1,873,000
Provincial, direct and guaranteed	11,449,000	11,194,000
Municipal and School District Corporation	3,924,000	4,024,000
	<u>22,854,800</u>	<u>18,591,100</u>
	<u>\$40,100,800</u>	<u>\$35,682,100</u>
Approximate market value	<u>\$37,944,000</u>	<u>\$31,285,200</u>

	<u>December 31</u>	<u>1970</u>
Note 9 Shares, at cost, consist of:		
Common	\$ 2,416,239	\$ 3,406,453
Preferred	600,157	600,156
Warrants	83,895	65,990
	<u>\$ 3,100,291</u>	<u>\$ 4,072,599</u>
Approximate market value	<u>\$ 3,013,000</u>	<u>\$ 4,061,390</u>

Note 10 1970 earnings were reduced by a loss of \$619,589 on the sale of low interest bearing bonds. Proceeds from the sale were reinvested in higher yield securities.

Note 11 An actuarial survey as at December 31, 1969, indicated that the Pension and Death Benefit Fund as constituted would be sufficient to meet all future requirements.

Note 12 The Pension and Death Benefit Fund has the following commitments, which are not reflected in the Balance Sheet as at December 31, 1971:

In respect of securities for future delivery	\$ 820,000
In respect of mortgage funds to be advanced	2,967,115

alberta
government
telephones
statistics

	1971	1970	1969	1968
NUMBER OF TELEPHONES				
System Owned	555,691	508,244	468,371	431,075
Rural Mutual Company	14,586	21,004	24,991	28,369
Private System	229,873	218,247	204,265	190,475
Total	800,150	747,495	697,627	649,919
Percent Dial Telephones	99.7%	99.6%	99.5%	99.4%
TELEPHONE MOVEMENT				
Connected	213,304	178,123	143,782	140,888
Disconnected	165,857	138,250	106,486	103,302
Increase	47,447	39,873	37,296	37,586
NUMBER OF EXCHANGES	363	356	331	337
NUMBER OF TOLL OFFICES	29	47	47	52
LONG DISTANCE MESSAGES	48,677,322	43,536,765	38,833,822	35,106,114
TOTAL PLANT INVESTMENT	615,997,445	547,102,502	476,382,011	420,508,342
TOTAL REVENUES	122,080,082	109,906,693	98,847,686	86,755,471
TOTAL EXPENSES	119,222,597	104,163,976	92,091,376	82,736,367
NET INCOME (Loss)	2,857,485	5,742,717	6,756,310	4,019,104
TOTAL EMPLOYEES	7,248	6,999	6,791	6,360
TOTAL PAYROLL	59,621,142	52,588,623	46,003,157	39,203,373

NOTE:

1963 to 1966 inclusive are as at March 31

1966* is for 9 months — April to December

1967 to 1971 inclusive are as at December 31

1967	1966*	1966	1965	1964	1963
393,489	364,425	340,264	318,282	297,086	278,598
31,536	34,294	39,349	38,418	36,910	35,185
177,897	178,432	169,648	158,809	148,568	147,850
602,922	577,151	549,261	515,509	482,564	461,633
98.1%	96.6%	95.8%	93.8%	91.1%	89.0%
103,583	110,078	83,542	103,742	99,195	91,703
74,519	85,917	61,560	82,546	80,707	73,185
29,064	24,161	21,982	21,196	18,488	18,518
349	357	364	370	376	396
89	98	109	120	136	144
32,251,057	23,185,514	27,495,279	24,316,067	21,827,542	19,319,050
376,720,187	324,787,269	293,463,001	253,464,690	223,832,041	200,712,715
75,760,449	47,325,404	55,241,366	47,943,244	42,863,403	37,916,352
75,842,721	51,318,069	56,717,592	47,736,928	41,741,659	35,892,229
(82,272)	(3,992,665)	(1,476,226)	206,316	1,121,744	2,024,123
6,498	6,513	5,949	5,159	4,731	4,103
36,908,694	24,635,840	27,136,387	22,804,487	20,015,451	17,343,875



AGT Part of

Trans-Canada Telephone System



GOVERNMENT OF THE PROVINCE OF ALBERTA

Edmonton, March 8, 1972

The Alberta Government Telephones Commission
EDMONTON, Alberta

I have examined the Balance Sheet, the Statement of Net Long Term Debt and the Pension and Death Benefit Fund Balance Sheet of the Alberta Government Telephones Commission as at December 31, 1971, and the Statements of Surplus, Income, Source and Application of Funds and the Pension and Death Benefit Fund Statement of Operations for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of the Alberta Government Telephones Commission as at December 31, 1971, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



C. K. HUCKVALE, F.C.A.
Provincial Auditor

